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BEFORE THE ARIZONA CORPORATION COMMISSION

2013 SEP 19 P 4:44

COMMISSIONERS

BOB STUMP – Chairman  
GARY PIERCE  
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BOB BURNS  
SUSAN BITTER SMITH

AZ CORP COMMISSION  
DOCKET CONTROL

IN THE MATTER OF THE APPLICATION  
OF UNS ELECTRIC, INC. FOR THE  
ESTABLISHMENT OF JUST AND  
REASONABLE RATES AND CHARGES  
DESIGNED TO REALIZE A REASONABLE  
RATE OF RETURN ON THE FAIR VALUE  
OF THE PROPERTIES OF UNS ELECTRIC,  
INC. DEVOTED TO ITS OPERATIONS  
THROUGHOUT THE STATE OF ARIZONA  
AND FOR RELATED APPROVALS.

DOCKET NO. E-04204A-12-0504

NOTICE OF FILING DIRECT  
TESTIMONY OF JAY ZARNIKAU ON  
BEHALF OF NUCOR  
CORPORATION IN SUPPORT OF  
SETTLEMENT AGREEMENT

Nucor Corporation, by and through undersigned counsel, files the Direct Testimony of Jay Zarnikau, Ph.D. in support of the Settlement Agreement in this Docket.

DATED this 19<sup>th</sup> day of September, 2013.

Arizona Corporation Commission

DOCKETED

SEP 19 2013

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EAL

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1 ORIGINAL and 13 copies of the foregoing  
2 filed this 19<sup>th</sup> day of September, 2013, with:

3 Docket Control  
4 Arizona Corporation Commission  
5 1200 West Washington  
6 Phoenix, Arizona 85007

7 COPY of the foregoing mailed/emailed/  
8 hand-delivered this 19<sup>th</sup> day of September, 2013, to:

9 Dwight Nodes  
10 Assistant Chief Administrative Law Judge  
11 Hearing Division  
12 Arizona Corporation Commission  
13 1200 West Washington  
14 Phoenix, Arizona 85007

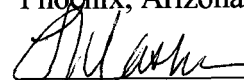
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**Docket No. E-04204A-12-0504**

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1   **Q.   PLEASE STATE YOUR NAME, BUSINESS AFFILIATION, AND BUSINESS**  
2   **ADDRESS.**

3   A.   My name is Jay Zarnikau. I am the president of Frontier Associates LLC. My business  
4       address is 1515 Capital of Texas Hwy, South, Suite 110, Austin, Texas, 78746.

5   **Q.   ARE YOU THE SAME JAY ZARNIKAU WHO FILED PREPARED DIRECT**  
6   **TESTIMONY ON BEHALF OF NUCOR STEEL – KINGMAN WITH THE**  
7   **COMMISSION IN THIS PROCEEDING ON JULY 12, 2013.**

8   A.   Yes. I am.

9   **Q.   DOES NUCOR STEEL – KINGMAN SUPPORT THE ADOPTION OF THE**  
10   **PROPOSED SETTLEMENT AGREEMENT DATED SEPTEMBER 6<sup>TH</sup>, 2013?**

11   A.   Yes. On behalf of Nucor Steel – Kingman, I would like to express our support for the  
12       proposed settlement agreement.

13   **Q.   ARE THERE SPECIFIC PORTIONS OF THE SETTLEMENT AGREEMENT IN**  
14   **WHICH NUCOR STEEL – KINGMAN IS PARTICULARLY INTERESTED?**

15   A.   Yes. Changes in the on-peak and off-peak time periods in the Large Power Service  
16       Time of Use (LPS-TOU) tariff will enable to Nucor's Kingman facility to schedule its  
17       labor and production shifts in a more efficient manner which will result in a reduction in  
18       production costs at the steel mill. This will help Nucor's Kingman facility compete in the  
19       highly competitive global market for steel.

20   **Q.   WERE ALL OF THE RECOMMENDATIONS AND PROPOSALS ADVANCED**  
21   **BY NUCOR STEEL – KINGMAN IN THIS PROCEEDING INCORPORATED**  
22   **INTO THE SETTLEMENT AGREEMENT?**

23   A.   No. Because the cost of electricity is such a significant input into steel production, Nucor  
24       is concerned with any increase in electricity costs. However, Nucor believes that the  
25       settlement agreement is a reasonable compromise among a variety of parties with  
26       competing interests and that it is in the public interest to approve this agreement. The

1 parties have also agreed via the settlement agreement to afford further consideration to  
2 some of the issues I raised in my July 12 testimony in the next rate case involving UNS.  
3 This will provide the utility and other parties ample time to fully examine our proposals  
4 to simplify and improve the design of the demand charges in the utility's industrial tariffs  
5 and improve the utility's interruptible service offerings. Customers who did not  
6 intervene in this proceeding will be provided with ample notice that additional changes to  
7 some of the utility's tariffs have been proposed.

8 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

9 **A.** Yes, it does.